

Unlocking the 'Opportunity' in Opportunity Zones

Regional Workshop
Kernersville

March 28, 2019
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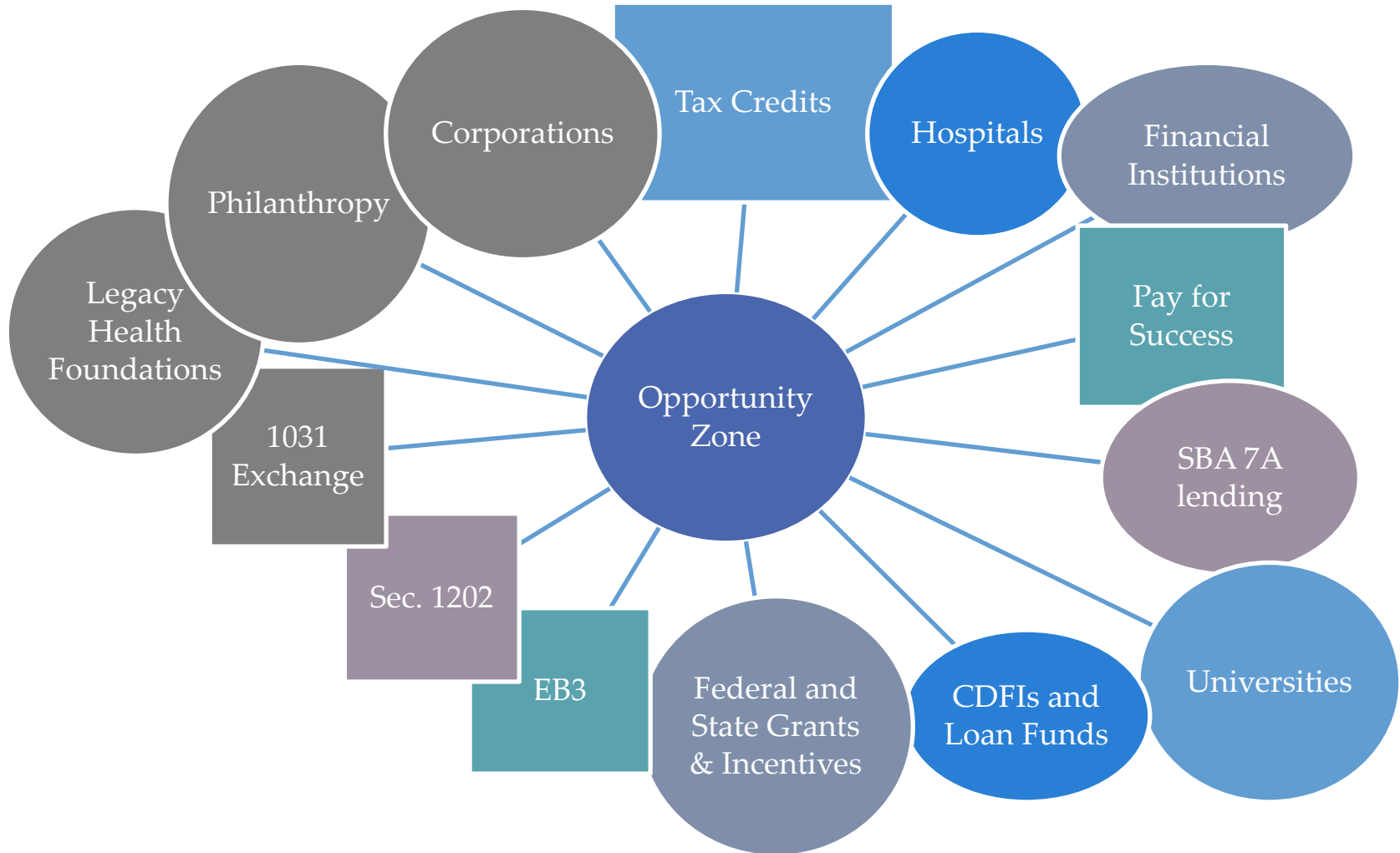
Innovative and Responsive

- More than 8,700 Opportunity Zones are low-income census tracts
- The same definition of a “low-income community” that is used by Treasury CDFI Fund’s New Markets Tax Credit (NMTC) program is the basis for defining eligible Opportunity Zone census tracts.
- The policy goals of the Opportunity Zone tax incentive
 - **Drive long-term private sector investments**
 - **Channel equity capital into overlooked and underserved markets**
 - **Reinvest realized capital gains into distressed communities**
- Why is everyone so excited about OZ?
 - **Innovative and first tool in 15 years**
 - **May scale to the largest economic development program in the country**

What is the incentive for an individual?

- A temporary deferral: An investor can defer capital gains taxes until 2026 by rolling their gains directly over into an Opportunity Fund.
- A reduction: The deferred capital gains liability is effectively reduced by 10 percent if the investment in the Opportunity Fund is held for 5 years and another 5 percent if held for 7 years.
- An exemption: Any capital gains on subsequent investments made through an Opportunity Fund accrue tax-free as long as the investor stays invested in the fund for at least 10 years.

Community Development Finance



Readily Identifiable Investment Types in Opportunity Zones

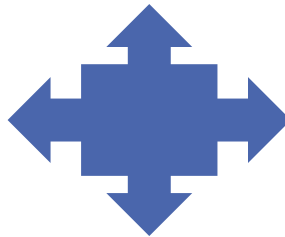


Commercial Real Estate Development and Renovation in Opportunity Zones



Opening New Businesses in Opportunity Zones

Large Expansions of Businesses already within Opportunity Zones



Expansion of Existing Businesses into Opportunity Zones

What is the incentive for communities?

- Build a plan for financing of top priorities
- Leverage the opportunity to attract ALL types of investors, especially local ones
- Think broadly about all investors and how to change the economy of the community
- Be creative
- Equitable and inclusive development

Brownfield to mixed use: Baltimore, MD

5th District Federal Reserve Map

**Affordable mixed use + small business:
Charlottesville, VA**



What about rural communities?

- Align federal programs with rural OZs to attract investors
- Align infrastructure improvements, workforce training, complementary debt products
- Align disaster recovery programs
- Finance Resiliency
- Can we develop new financial tools for broadband or expand economies of scale to make it affordable?

Adaptations

- Strategies to mitigate community harm – West End, Charlotte; S.C. Community Capital Alliance/SCACED; Kresge Foundation Covenant Incentive
- Partnerships to raise and deploy funds – HBCU QOF
- Mission-oriented institutions' sponsorship of Qualified Opportunity Funds (Enterprise Community Partners, Self Help)
- Innovative Capital Stacks – Qualified Opportunity Funds paired with impact investing products, debt
- Local government-driven funds
- Public Asset Corporations, Institutions
- Purpose Built Communities – Raleigh, Norfolk

Guiding Principles for Investors & Communities

- Synergy and Balance
- Social Equity
- Impact Investing
- Collaborative Partnerships
- Transparency